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DIRECTORATE OF
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Cambodia: The Communists remain on the attack in several western provinces.

Government forces in the center of Kirirom continue to be pinned down. [redacted] four trucks carrying food and other supplies were ambushed and destroyed on the only road into Kirirom on 21 July. Some supplies were then airdropped to the government forces.

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The Communists also attacked several other government positions near Route 4 in Kompong Speu Province yesterday. Twelve miles southeast of Kompong Speu the Communists reportedly have dug in along the road leading to the village of Srang, which they apparently still occupy. Press reports indicate that government forces were still some distance from Srang.

The military training center at Romeas in Kompong Chhnang Province reportedly still was under attack, but air strikes may enable the government defenders there to hold their ground. [redacted]

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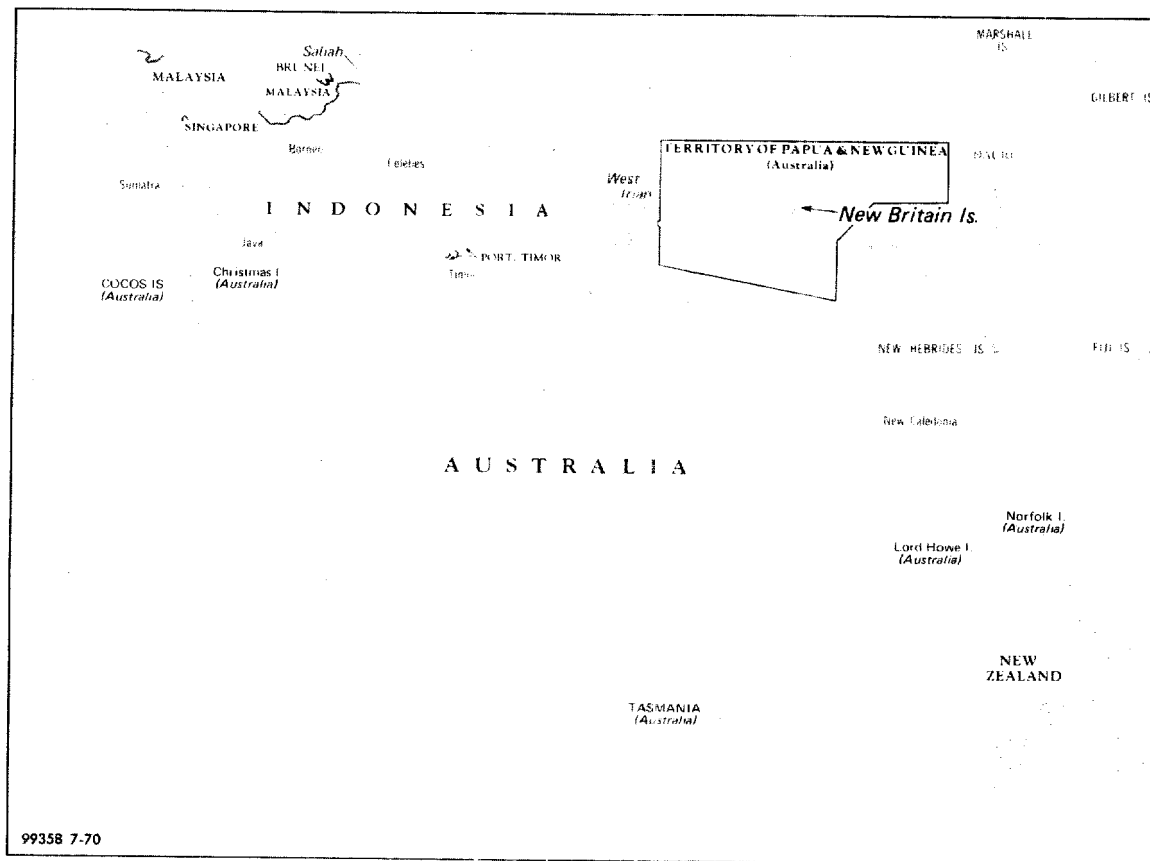
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Australia - Papua-New Guinea: Increased unrest is probable in the Australian-administered territory of Papua-New Guinea.

Australian officials regard recent dissidence on New Britain Island, where major violence was narrowly averted this week, as only part of the total problem. The territory's first leftist with a considerable following, John Kaputin, organized tribal occupation of government land on the northeastern tip of New Britain and defied administration efforts to displace the tribesmen. The government has peacefully removed many of the squatters, however, and plans to distribute the land as quickly as possible to landless members of the tribe in order to create "a vested interest in support of the administration."

Although no formal timetable has been established, it seems reasonably certain that Papua-New Guinea will be given self-government by 1972 and possibly independence by 1976. The territory is backward, and efforts to prepare the inhabitants for autonomy have been slow.

Among Australia's principal concerns are the probability of increased politically motivated intertribal and racial violence; the continued development of secessionist movements; and the increased polarization of views between conservative highlanders who oppose early self-government and the more advanced coastal and island peoples who favor more rapid political change. [REDACTED]

[REDACTED]

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USSR: During the first half of 1970 the Soviet economy appears to have made a significant improvement over its poor performance of a year ago.

According to Moscow's calculations, industrial production was up 8.5 percent and labor productivity 7.5 percent from the first half of 1969. All branches of heavy industry are said to have improved on their growth rates of last year, but less glowing achievements are claimed for consumer goods. In the first six months of 1969, when economic activities were hampered by unusually bad weather, increases of only 6.9 and 4.4 percent were claimed for industrial production and labor productivity.

In the agricultural sector, the spring sowing plan was overfulfilled and production of meat and milk showed modest increases. Sales of fruits, vegetables, chicken, and eggs are said to have risen sharply.

In general, however, the gains registered so far this year are not remarkable when compared to Soviet figures over the longer term. Soviet leaders can be expected to continue to grope for methods to stimulate technological progress and economic growth.

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Libya: A government decision, announced on 21 July, to confiscate Italian and Jewish property is another step the regime has taken to generate the popular support it still seeks.

Property belonging to Italians is to be taken without compensation, but that owned by Jews will be remunerated. In addition, Italians will not be able to get work permits without cabinet approval. The Italian community bears the double onus of being one-time colonists and the largest remaining Western presence.

This measure, like the evacuation of Wheelus Air Base and British military installations, represents an effort to prove the regime's independence from Western domination, but is not necessarily an indication of future action against other foreign-owned property.

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Morocco: King Hassan should have no difficulty winning approval for his new constitution during tomorrow's referendum despite the negative reaction of the opposition parties.

The government launched a high-g geared referendum campaign on 14 July, mobilizing the services of senior government officials and news media to urge the population to vote "yes" for the proposed constitution. The draft, not yet made public, is reported to provide for a unicameral legislature of 240 members, less than one half of which will be directly elected. This legislature will be clearly subordinate to the monarch. The country's electoral machinery will be carefully controlled and security forces will take all necessary steps to maintain order.

The main opposition elements--the traditionalist and conservative Istiqlal that led the country's struggle for independence, the leftwing National Union of Popular Forces, and its ally, the Moroccan Union of Labor, Morocco's principal trade union organization--apparently were in a quandary whether to boycott or oppose the referendum. Five days before the balloting they jointly announced their opposition.

This decision reflects a genuine concern that the new constitution will institutionalize the powers the King has been exercising for the past five years under the "State of Exception." The opposition expects that the roles of the political parties, the government ministers, and the legislature will be severely truncated by withdrawal of the power to amend, which was provided for in the 1962 constitution. This negativism, however, is flavored strongly with demagoguery inasmuch as the parties do not seriously expect that the King's proposal will be rejected.

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The opposition, meanwhile, is demonstrating its strength by such tactics as extending a nationwide railroad strike, called by the Moroccan Union of Labor, 24 hours beyond its original planned duration.

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Japan - South Korea: Two of Japan's largest steel producers last week signed a technical assistance agreement to build a steel plant on the east coast of South Korea capable of producing over one million tons per year. The \$200-million project, scheduled to be completed by mid-1973, will be financed largely by the Japanese. The two firms, Nippon Steel Corporation and Nippon Kokan, seem willing to ignore Chou En-lai's warning that Japanese concerns interested in the Chinese market should not deal with South Korea. [REDACTED]

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Sudan: The Communists suffered a setback in yesterday's cabinet shuffle, probably as a result of pressure from the army. One known Communist was dropped and three others were downgraded, including two who were credited with planning and carrying out the wholesale nationalization of foreign holdings that began in May. On 16 July, President Numayri, speaking to the armed forces, said that Sudanese socialism would be in accord with Sudanese traditions, creeds, heritage, and culture. The speech has been widely interpreted as a concession to army demands that the regime check the power of the Communists. [REDACTED]

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East Africa - UK: The presidents of Tanzania, Uganda, and Zambia met in Dar es Salaam yesterday, probably to discuss ways to exert additional pressure on the UK not to resume arms sales to South Africa. Tanzanian President Nyerere, who apparently is pleased that his and other African efforts have influenced London to postpone a final decision on arms sales, may have initiated the meeting to devise a common strategy for the three countries. Nyerere has made it clear to the UK that Tanzania will leave the Commonwealth if the British lift the arms embargo. Zambia's President Kaunda probably would prefer that African states stay in the Commonwealth, partly to influence British policies on other issues. It is not clear, however, how he would react if a large number of African states were to decide to leave.

[REDACTED]

* * * *

Bolivia: The recent guerrilla raid combined with rising student and labor unrest is posing new difficulties for the Ovando government. The president announced yesterday that he would release the ten prisoners demanded by the Army of National Liberation in return for the two German hostages taken in Sunday's raid on a US mining company. Additional problems facing Ovando are teachers' strikes throughout the country and increasing student violence. Vacillation in dealing with these matters could cause another crisis in military confidence in the president's leadership. A state of siege declared Tuesday gives the president the authority to take firm action to put down strikes and prevent unauthorized gatherings, but Ovando's style tends more toward compromise than decisive action.

[REDACTED]

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NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board on 22 July 1970 approved the following national intelligence estimates:



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NIE 65-70

"The Outlook for the Congo"



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